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**WHEAT
POOL**

and its

Accomplishments

1946



Issued by

SASKATCHEWAN CO-OPERATIVE PRODUCERS LIMITED

THE WHEAT POOL

and Its Accomplishments

OVER and over again, Wheat Pool Committees, delegates, field men and others connected with the Saskatchewan Wheat Pool are asked the question: Of what benefit has the Pool been to Saskatchewan agriculture? As the years pass, and new farmers appear on the scene—farmers who are not familiar with the early history of the organization—the question is asked with more frequency. This little pamphlet is written as a partial answer to that question.

First, let us look at the financial record of the Wheat Pool. Of course, figures on how much the organization has earned cannot begin to tell the story of the influence which the Pool has had in bringing about better grain handling services, since much of this influence is to be found in a general improvement in services of Pool and non-Pool facilities alike, and in improved legislation. Nevertheless, the figures themselves tell an impressive story.

Today, the Saskatchewan Wheat Pool owns in the neighbourhood of 1,139 country elevators in the Province. In addition, it owns three terminals at Port Arthur and leases a further terminal at Port Arthur. The country elevators, with their permanent annexes, have a storage capacity of more than 38 million bushels. During the last few years, also, 1,183 temporary storage bins have been built throughout the country, but the need for them is pretty well past, for the time at least, and their cost has been written off as an expense of the last few years. The same has been done with 10 million bushels of temporary terminal storage capacity. The temporary capacity in the country stood at over 26 million bushels, but the annexes are being gradually disposed of.

Besides its country elevators and terminals The Saskatchewan Wheat Pool owns the plant of Modern Press at Saskatoon, the Head Office building at Regina, stockyards, assembly yards and equipment of the Livestock Pool, and other items of equipment like cars, agents' cottages, furniture and so on. All these fixed assets now in existence are shown on the books as at July 31, 1945, at a net value, after deducting depreciation, of \$9,744,821. This net value is distributed as follows:

Country elevators and sheds.....	\$ 5,335,000
Terminal elevators.....	3,333,000
Land, buildings and machinery, Regina and Saskatoon.....	119,000
Agents' residences.....	359,000
Work under construction (amount spent).....	102,000
Sites—terminal elevators, etc.....	371,000
Stockyards, etc., re Livestock Pool.....	27,000
Cars, office equipment, etc.....	99,000
 Total.....	 \$ 9,745,000

The actual value of the company's fixed assets has, of course, declined much less slowly than depreciated

value. In some cases fixed assets are worth more today, with rising prices, than they were when purchased. The original cost of the fixed assets of the company is placed at \$28,069,501.

At July 31, 1945, when this figure was arrived at, the Pool had also undertaken additional construction which promised to cost it in the neighbourhood of \$400,000. Of this, \$270,000 was the estimated expense of the vegetable oil plant being built at Saskatoon. Most of the rest represented projected elevator construction.

Where, you may ask, did the money come from for building this huge capital equipment? During the early years of the Pool, members, realizing that without large funds their own elevator system could not be built, contributed 2c a bushel on their deliveries as loans to the organization. This money, known as elevator deductions, amounted in all to over \$12 million, and was used for expanding the system. As the years have gone by, depreciation reserves have been used to further build the system. Elevator Deduction and Depreciation reserves have supplied the bulk of the funds for financing the Pool system.

Besides equipment, an organization like the Pool needs money to finance its operations. Such money, known as a company's working capital, amounted, at July 31, 1945, to a little over \$22 million. Over seven million dollars of this comes from excess charges refunds for the years 1943-44 and 1944-45 which, owing to the uncertainty of the income tax position, have not yet been distributed to members. The company will be able to use this money only until it is distributed. Its more permanent working capital consists mainly of over \$6 million of commercial reserve, which was obtained during the Pool's early years by deductions from deliveries of one percent of the market price, and was always intended to be used as working capital. Over \$2 million of the Elevator Deductions is also in working capital at this time, since war conditions limited the expansion of facilities and for the first time the whole of the deductions are not needed for investment in fixed assets.

So much for assets and working capital. The next step is to see how the use of this plant and these funds have benefited the farmer. The result shows that he has done well to embrace the co-operative way of business, so that he may retain for himself the full returns on his production. But it should be remembered that only through efficient management has he been able to realize the full benefits of his co-operative venture.

In reviewing the earnings of the company we will look only at the earnings of Saskatchewan Pool Elevators Limited, obtained from the operation of the country and terminal elevator system. These earnings do not reflect the gains made by the farmer during the years 1924 to 1929 through marketing his grain on a pooling basis. Under the Pooling system, of course, Saskatchewan Co-operative Wheat Producers Limited each year returned all revenues to growers, after deducting expenses, thus balancing the accounts. Saskatchewan Pool Elevators Limited, however, carried on its elevator services and paid patronage dividends from earnings, as it does now. Since pooling was discontinued, the operation of the elevator system has been the main business activity of the Wheat Pool. It has contributed a share of the Wheat Pool's expenses of organization, advertising and administration. Contributions to these expenses are shown as a deduction from earnings; but more substantial revenues have been obtained by the Wheat Pool in the form of interest payments on funds loaned by it to Pool Elevators. These

interest payments are considered as an expense and do not appear in the figures on earnings to follow. The elevator company has also undertaken the bulk of the payments on the 1929-30 overpayment. These payments have been deducted from earnings.

Since 1925, then, Saskatchewan Pool elevators have earned for the growers a total of over \$62½ million from the handling of 1,699,432,120 bushels of grain through its country elevators and over the platform, and 1,261,532,316 bushels of grain through terminals. These figures show the position to July 31, 1945. These earnings have been used in two ways: First, part has been returned to the members. Second, part has been retained in the Pool by those members to further build and strengthen their organization. That portion of the earnings which have been or are to be distributed to members, totalling over \$35 million, have been allocated as follows:

A. Patronage Dividends, cash and credit, 1924-43.....	\$ 9,328,076.70
*B. Patronage Dividends, 1943-44 (to be distributed)	5,213,484.85
*C. Patronage Dividends, 1944-45 (to be distributed)	2,017,826.75
D. Interest on Elevator Deductions.....	2,646,985.80
E. Farm Storage—1928 crop.....	306,456.74
F. Paid on Principal to Government of Saskatchewan, a/c 1929 overpayment.....	8,307,546.53
G. Paid on Interest to Government of Saskatchewan, a/c 1929 overpayment.....	7,312,961.52
 H. Total.....	 \$35,133,338.89

*Subject to final settlement of the income tax question.

Those funds left in the organization, amounting to nearly \$27½ million, have been used in the following ways:

1. Depreciation reserve.....	\$17,880,754.70
2. Interest on Co-operative Elevator Co. Purchase.....	2,150,331.29
3. Operating reserve.....	4,494,169.55
4. Undivided surplus.....	1,511,357.75
5. Organization, advertising and administrative expenses	1,392,273.15
 6. Total (used to build and strengthen the system).....	\$27,428,886.44
Add item H.....	35,133,338.89
 Total.....	 \$62,562,225.33

In the following paragraphs this breakdown of earnings will be further explained.

A.—Patronage Dividend—\$9,328,077:

During the years 1925-29, \$4,256,040.82 was paid to Pool members in cash. Between 1929 and 1938 cash dividends were suspended, and the earnings applied on the 1929 overpayment. Since then, Patronage Dividends have been paid, part in cash and part in the purchase of deductions from Estates, and from those who have ceased farming, etc. The total figure of patronage dividends is therefore allocated as follows:

Paid in cash.....	\$6,756,411
Applied to purchase of elevator deductions and commercial reserve deductions, which are then credited to members.....	2,571,666

B.—Patronage Dividend, 1943-44—\$5,213,485:

This amount is to be distributed to growers at the rate of 4½c per bushel for wheat and flax and 3¾c per bushel for other grains, provided excess charges refunds are not subject to income tax before they are distributed. In addition to this, earnings from 1943-44 of \$663,847 have been used to purchase deduction from estates and from retired farmers. These deductions have been credited to members on the basis of ½c per bushel, making total patronage dividends paid and credited for the year of 4¾c and 4½c.

C.—Patronage Dividend, 1944-45—\$2,017,827:

This amount has been set aside for distribution to growers, subject, of course, to possible payment of income

and excess profits taxes. Part of this amount will be paid through purchase of elevator deductions and commercial reserves as described above.

It is of interest to note that only in the year 1937-38, when there was almost total crop failure, were there no earnings made by Pool Elevators. For each year except 1937-38, then, earnings have been distributed to members in some form, either as excess charges refunds, payments on the 1929-30 over-payment or by purchase of elevator and commercial reserve deductions, which were in turn credited to members on the basis of their deliveries.

D.—Interest on Deductions—\$2,646,986:

Interest on Elevator deductions and commercial reserve certificates was paid in cash during the early years of the Pool. The last payment was declared September 1st, 1930, but deferred throughout the depression period, when the organization was faced with the obligation of repaying the money owed for the 1929-30 overpayment. Payment was made July 31st, 1941. Interest is now being paid at the rate of 3 per cent. per annum.

E.—Farm Storage—\$306,457:

This amount was paid in 1928 to those growers who co-operated with the company by holding grain on their farms during the rush season and delivering later when elevator space became available.

F. and G.

The agreement between the Government of Saskatchewan and the Wheat Pool in connection with the 1929-30 overpayment calls for amortized payments of about \$1,125,000 each year. The amount has been met regularly. The full amount, interest and principal, will have been paid by September 5, 1951.

1.—Depreciation Reserve—\$17,880,755:

This item represents cash set aside from earnings year by year, to replace the shrinkage of capital as buildings and equipment lose value through use and age. The money has been re-invested in the system by way of repairs, replacement or new construction, and when not immediately required in that way, it has increased the cash working capital.

2.—Interest on Co-operative Elevator Company Purchase—\$2,150,331:

On August 2, 1926, the Country and Terminal Elevator system of the Saskatchewan Co-operative Elevator Company Limited was taken over at an appraised value of \$11,061,268.65. The principal was paid for in the main out of Elevator Deductions, but Pool Elevators Limited paid the whole of the interest from its earnings until the transaction was completed in August, 1933.

3.—Operating Reserve—\$4,494,170:

The operating reserve of Pool Elevators is vital to the successful operation of the Company. It can only be built up from earnings. At July 31, 1945, the above sum had been placed in this reserve, which forms part of the working capital.

The experience of the year 1937 can be cited as evidence of the great importance of this reserve to the safe operation of the Company. That year was the most disastrous in the history of grain production in Saskatchewan. Despite

the fact that Pool Elevators Limited received only 15,172,108 bushels of grain in its Country Elevators, averaging 16,600 bushels per elevator, it was able to keep open 914 of a total of 1,091 of its elevators as a service to the growers. Because of this, Pool Elevator agents were able to co-operate with government agencies in distributing seed and feed where most needed. In this work 9,441,930 bushels of all grains and grades needed were distributed through the system at little cost to the government or grower.

The total operating loss for that year consequently amounted to \$1,315,625.21, which amount was taken care of by the operating reserve which in that year was reduced from \$3,125,450.08 to \$1,809,824.87. Had this reserve not been available Pool Elevators would not have been able to render such adequate service in that devastating year.

This reserve, therefore, serves two functions:

- (a) In favourable seasons, when larger funds are needed to carry on the operations of the Company, it serves as working capital.
- (b) In unfavourable seasons, it provides the means to permit the Company to carry on its operations in the service of its members, when the prospective loss of earnings would otherwise mean curtailment of such activities.

It is in the interest of the growers, therefore, that this reserve should be built up in favourable years to provide a safe margin for the carrying out of both functions.

4.—Undivided Surplus—\$1,511,358:

As at July 31st, 1945, this sum remained in the undivided surplus account. This account represents part of the Company's working capital, and may be used by the Board of Directors for any legitimate purpose of the organization.

5.—Organization, Advertising and Administrative Expense—\$1,392,273:

This is the amount contributed by Pool Elevators out of earnings as its share in the cost of organization, advertising, administration and Delegates' meeting expense, during the past 19 years. This figure, it should be pointed out, is a substantial part of the revenue of Saskatchewan Co-operative Producers Limited, but does not, nevertheless, represent a major portion of it.

It should be emphasized again that the figures just given of the financial earnings of the Pool elevator and terminal systems do not give a true indication of the dollar and cents gains which have resulted from Pool activities. Improved marketing practices and generally lower handling charges have benefited Pool and non-Pool farmer alike, and these advances can be credited in large part to the competition and continued concern for the farmer's interest which the Wheat Pool has supplied. Our next section will review some of the services provided, and activities engaged in by the Wheat Pool.

SERVICES AND ACTIVITIES

The Pool has been able to make the following valuable contributions to improving conditions under which grain is sold and handled, and to agriculture in general:

Canada Grain Act Revised.

After a strenuous championship of the right of the grower to designate the Terminal Elevator to which he

should ship his grain, the Pools were instrumental in obtaining a complete re-writing of the Canada Grain Act in 1930, and a re-organization of the Board of Grain Commissioners. The provisions of the new Act secured:

- (a) The right of the grower to choose the Terminal to which he wished to ship his grain;
- (b) A re-classification of all grades of grain;
- (c) A curtailment of Terminal Elevator mixing;
- (d) The raising of the outturn and export standard grades to approximate quality of primary inspection grades;
- (e) Improvement in the handling of special bin grains;
- (f) A more effective procedure by which a shipper can call for re-inspection and make appeal if not satisfied with the final inspection.

Pool Grain Re-Inspected.

In order further to safeguard the financial returns to growers, the Pool instituted a well-organized checking department of its own, by which samples of every carload of grain it handles are re-checked for grade and dockage. Re-inspection is called for whether the grower asks for it or not, if it seems possible to get a better grade.

Settlement on Separation Basis.

To assure to the grower all that his shipment would yield, the Pools succeeded in obtaining settlement for him on a separation basis for the different grains which occurred in the carload which could be separated at the Terminal.

Automatic Sampler.

As a further step towards making sure that the grower would receive settlement for the correct grade of his shipment, the Pool originated the automatic sampler which draws accurate samples from cars unloading at the Terminal. This sampler is now standard equipment in large Terminals.

Weekly Crop Reports.

As a service to its members the Pool organized a statistical department and inaugurated a system of comprehensive weekly crop reports. These reports are now considered the most authoritative that are being issued.

Germination Tests.

The Pool renders great service by establishing facilities for making germination tests. Since this service was inaugurated, to July 31, 1945, 151,780 individual germination tests have been conducted; many samples have been checked for grade and dockage and many more were prepared and distributed among school children. Since August, 1929, when this work was first started, to July 31, 1945, there have been 44,117 individual moisture tests made in the Pool laboratory.

Use of Better Seed Grain.

The Pool has been responsible for the distribution of better seed and has assisted in the development of suitable varieties of wheat and other grains.

Aids Junior Extension Work.

Among the most successful of Pool projects has been the development, in co-operation with the Extension Department of the University of Saskatchewan, of Junior Grain, Calf and Swine Clubs and Home Craft Clubs. These clubs foster in the boys and girls a greater appreciation of farm and home life.

Library Service.

In addition to a comprehensive lending library maintained at Head Office many travelling libraries have been circulated through local Pool Elevator agents. This has been a useful service and one which the public has appreciated.

A Sound Agriculture.

As part of its objective of maintaining and developing a sound agriculture, the Pool continues to make strenuous efforts to achieve those objectives by way of efficient marketing, the encouragement of every form of Co-operative effort, the advocacy of parity prices for agricultural products, and equitable debt legislation.

The Hudson Bay Route.

The Pool, and its Elevator Company, was the only grain handling organization that gave assistance and sympathetic support to the development of the Hudson Bay Route as an outlet for Western grain.

The Canadian Wheat Board.

Perhaps the Pool's greatest achievement has been in persuading the Federal Government, after the collapse of the early 1930's, that the marketing of Canadian grain was a national responsibility. The Pools took the stand that a national marketing board was a necessity. They worked strenuously to that end, and after some years, during which the Government confined itself to buying wheat in a limited policy of price stabilization, a wheat marketing board, which stood prepared to buy wheat at certain set prices, was established in 1935. This Board has since become the sole marketing agency for Western Canadian bread wheat.

Guaranteed Wheat Prices.

The Pools fought alone for a guaranteed minimum price for wheat. The justice of their claims was finally recognized by the government, which set for the year 1935-36 a minimum price of 87½ cents per bushel. Again in 1938, after two years of short crop in which the Board did not operate, the Pools were responsible for the return of the Wheat Board to active operation, and a guaranteed minimum price of 80 cents was secured. **The price paid to the producer by the Wheat Board was much better than could be obtained on the open market. This meant a greater revenue to all industry and greater purchasing power all round.**

The glut of wheat increasing in 1939, the Pools, with the support of business interests as well as the governments of the provinces, this time working through the Bracken Committee, were successful in having the Wheat Board continued in operation, although Parliament reduced the minimum price to 70 cents. This would have been reduced to 60 cents but for the action of the Wheat Pools with the Bracken Committee in support. Whilst 70 cents was a disastrously low price, the open market price of wheat, before the outbreak of war, was below 60 cents.

No Mystery Now.

One of the greatest accomplishments credited to the Wheat Pool is that wheat marketing is no longer a mystery. The Wheat Pool has opened up the secrets of the business to all its shareholders, and any others who will take the trouble to read, or attend its meetings. No grain company had done this before.

Car Allotment.

When car allotment restrictions were in effect, which prevented growers from freely using their own elevator facilities, the Wheat Pool fought for and ultimately obtained the improvement of car allotment practises, thereby permitting growers to use their own elevator system.

The Ottawa Delegation.

When agricultural conditions became acute in the fall of 1941 due to low prices and deterioration of grade as a result of bad weather, the Saskatchewan Wheat Pool took the lead in organizing mass meetings which led to the sending of a delegation of 400 farmers and business men to Ottawa, backed by 185,000 petition signers. This delegation succeeded in getting the statutory price of wheat raised from 70 to 90 cents per bushel, basis No. 1 Northern at Lakehead.

A Compulsory Wheat Board.

On September 28, 1943, the Dominion Government suspended trading in wheat on the Winnipeg Grain Exchange and established an initial price, basis No. 1 Northern at the Head of the Lakes of \$1.25 per bushel. Participation certificates are issued on this grain, which entitle the producer to any surplus made by the Wheat Board in its dealings in wheat. The establishment of a Wheat Board as the sole buyer of wheat, operating on what amounts to a pooling basis, represents the fulfilment of a long-standing Pool demand. The efforts of the Wheat Pool and organized farmers to inform public opinion on this point were undoubtedly a major factor leading to the final adoption of a compulsory Wheat Board.

THE STORY OF THE PAST SIXTEEN YEARS

To appreciate fully the significance of the efforts of the Pools to aid in the establishment of a healthy agricultural economy in our prairie provinces, it is necessary to have a clear picture of conditions as they have confronted the Pools during the past 16 years or more. Events follow each other so rapidly these days, however, that it is difficult indeed to remember in detail even comparatively recent events, no matter how important they may be. The following summary may, therefore, prove useful.

1929—The Depression Years.

The price of wheat began the drastic decline that was to reach an all-time low level in 1932. Part of the trouble lay in increased world production of wheat, plus a contraction of European markets as the countries of Europe raised barriers to the world's wheat in an effort to protect their own producers, and to make themselves self-sufficient. There was also a general collapse indicating a fundamental and world-wide economic dislocation.

The unforeseen break in the market found the Pools with wheat which they could not sell for the initial payment that they had made to the farmers. The amount of the loss was not immediately apparent, but the final reckoning showed that the Saskatchewan Wheat Pool suffered a deficit upwards of \$13 million that year. Government guarantees for this debt were obtained, and the Pool has made all payments since then, as they came due, at no cost to the government.

1930—The depression continued: Markets continued their downward course. Pool members were not satisfied with the small initial payment of 60 cents which, in spite of expert recommendation of a 70 cent payment, was all

the prevailing low price permitted, yet the payment had to be reduced three times in the case of wheat and twice in the case of coarse grains. The considerable quantities of the 1929 crop which the Pools were carrying aggravated the financing of the 1930 crop. The banks became thoroughly alarmed as to the value of their security, and the Pools sought and got a governmental guarantee of their loans. John I. McFarland (the choice of all concerned) was made Manager of the Central Selling Agency. He closed the European agencies of the Pool, but despite every effort to retrieve a bad situation, he was unable to sell the 1930 crop and the year ended in chaos. Stabilization purchases by the Dominion Government eventually enabled all Pool deliveries of the 1930 crop to be paid on the basis of a 60c price.

1931—This marked the end of general pooling by Wheat Pool members. The chaotic condition of the market made pooling an impossibility. Realizing the impossibility of continuing a contract pool, members were released from their contractual obligations. Pool elevators accepted deliveries at market prices, for the most part, although for the next four years voluntary pools were maintained to which small amounts of grain were delivered.

At this time the Pools asked the government to set up a National Marketing Board which would take delivery of all wheat. The Directors of the Pool maintained that with all grain, whether delivered to Pool or to Line elevators, being hedged on the already overburdened futures market, the price was sure to be forced down to lower and still more disastrous levels. In spite of a short crop, demoralization of the market was certain, the Pools maintained, if all deliveries were hedged on the futures market. Nevertheless, the government refused to grant this request of the Pools, and instead agreed, in the face of constant Pool pressure for relief from the prevailing low prices, to pay a bonus of 5c a bushel on wheat. A small help, but something, nevertheless.

1932-33.—The whole agricultural industry was pretty well demoralized. The Pools assisted in framing Debt Adjustment Legislation, and made persistent efforts to persuade the public and the government of the need for a National Marketing Board on the one hand, and of the futility of the Grain Exchange on the other. The Ottawa Empire Economic Conference was called to devise means of making the best uses of the resources and the economic power of the Empire and to increase its markets. The Pools submitted a memorandum suggesting wider and freer markets, the stabilization of Empire currency and a National Marketing Board for wheat.

In December, 1932, wheat dropped to the lowest price in 400 years of recorded markets.

The cry of those opposing Pool demands, was, in effect, "Get rid of wheat surpluses and good times will return." To this the Pools replied, "Nothing will help but a Board to sell wheat as the market can absorb it."

A petition circulated in Saskatchewan by the Pools praying for a Marketing Board secured 107,000 names, but to no avail. The government remained obdurate in its determination not to interfere with free and open markets but, after consideration of the Pools' representations, offered as an alternative to try to stabilize the market, by buying from the elevator companies as they hedged, and selling when the market appeared strong. Arrangements to this end were made.

The Pools' Central Selling Agency had the only machinery suited to this purpose and the Pools agreed to its

use in the hope that stabilization operations would to some extent help in the matter of prices, until they could secure a Marketing Board.

Prices did substantially improve that year, as the following figures will show. That these stabilization operations were undertaken was unquestionably due to the pressure of the Pools.

Average Prices, 1932-33

August.....	56	1/4
September.....	51	7/8
October.....	48	1/4
November.....	46	1/4
December.....	42	3/8
January.....	44	1/4
February.....	45	1/4
March.....	49	1/8
April.....	53	5/8
May.....	63	3/8
June.....	66	3/4
July.....	83	3/8

Note: On December 16th, the price dropped to 38. Average for the year, 54 cents.

Bearing in mind the heavy carryover that year, it cannot be doubted that the stabilization operations were of use, certainly there can be no question but that these operations were due to the pressure of the Pools, supported by the farmers' educational organizations.

The average price for the first six months of the crop year was approximately 48 cents per bushel, and from February to July inclusive was approximately 60 cents, a gain of 12 cents per bushel.

1933-34.—This year saw continued demand for a Marketing Board on the part of the Pool, but there was still strong opposition in political and grain trade circles, and what was worse, considerable apathy and indifference on the part of the farmers. The government extended stabilization operations as the surplus piled up. The hedging pressure became terrific. Mr. McFarland supported the Pools in their demand for further stabilization powers, and greater credits. Still averse to setting up a Marketing Board the government acceded to the requests of the Pool and granted larger credits. In consequence the market held fairly firm, the price averaging above 68 cents, or 14 cents above the 1932-33 average.

1934-35.—Surpluses remained around 200 million bushels, with almost the same production as in the previous year. Hedging pressure was very heavy. Further credits were needed for stabilization. With all the support they could muster the Pools continued their demands for a Grain Marketing Board with certain compulsory features. The government still refused a Wheat Marketing Board, but recognizing the Pools' claim that farmers have the same right to government protection as other industries, continued its assistance. Outside selling finally convinced the government that the Pools' request for a Marketing Board was sound, feasible, and necessary, and a Bill setting up a Marketing Board was introduced. Pool officials were called before the Agricultural Committee of the House of Commons to support their claim for a Marketing Board; the opposition, also called before that committee, endeavored to delay action in the matter; but the Board was eventually set up, with its compulsory features inactive. This was a partial victory for the Pools. Stabilization operations continued throughout the year, and the price level remained around 82 cents average, *i.e.*, 14 cents above the 1933-34 average.

1935-36.—The Government Marketing Board was in operation and there was much controversy over price. The Advisory Committee of the Board held out for a price of at least 95 cents as being the least the farmer should be

expected to take. Trade representations were that 70 cents was the utmost the Board should pay. A compromise payment of $87\frac{1}{2}$ cents was decided upon, a price $17\frac{1}{2}$ cents higher than the trade would have agreed to, and probably $27\frac{1}{2}$ cents higher than would have been the price had there been no Pools working in the farmers' interests.

A new government came into office in November, pledged to sell Canada's wheat and, by getting rid of surpluses, restore prosperity. Against the expressed wishes of the Pools it proceeded to disband the Advisory Committee, and took no account of the Pools in establishing its marketing policy. A loss was sustained by the government of 11 million dollars. The average cash price from August 1, 1935, to July 31, 1936, was $84\frac{1}{2}$ cents; the Wheat Board price $87\frac{1}{2}$ cents. It seems safe to assume that had there been no Board, hedging pressure would have driven the market much lower than it was. There was a good deal of rusted wheat in Saskatchewan and Manitoba that year, and it would be difficult, indeed, to compute how many farmers with low grade wheat benefited from receiving for it the Board price, which was 13 cents above market quotations.

1936-37.—In conformity with the policy of the government to discourage the operation of the Wheat Board as much as possible in favour of the open market, it was decided to maintain a fixed price of $87\frac{1}{2}$ cents per bushel, but to prohibit the Board from making any purchases unless the open market price fell below 90 cents per bushel.

World crop conditions and a consequent reduction in the surplus resulted in a price structure being maintained throughout the year well above the 90 cent level. The Wheat Board, therefore, did not operate that year. The Pools were keeping up strong pressure for reinstatement of the Wheat Board and the re-appointment of the Advisory Committee, but nothing material was accomplished.

1937-38.—Crop failure, and surpluses disappeared! The contention of the Pools that surpluses would only disappear under an open-market policy under crop failure conditions, and that a shortage of wheat under these conditions could only result in higher prices of seed and feed was proved correct. Again the Wheat Board did not operate.

1938-39.—Continued demands by the Pools for the reinstatement of the Marketing Board and a fixed price of 80 cents, or 20 cents higher than the average open market price throughout the crop year, were successful.

THE WAR YEARS

1939-40.—September, 1939, and World War II was on. It was clear that food was to be, as always, the first weapon of the allies, but for the wheat producer the first years of war meant reduced markets, good crops, and rapidly accumulating surpluses, combined with low prices.

In 1939-40 an Advisory Committee was appointed to the Wheat Board, with only a limited amount of grower representation. The status of the committee was not considered satisfactory to the farmers' interests. The quota system of deliveries, advocated by the Pool for many years, was introduced as the soundest way to limit the responsibility of the Wheat Board as a buyer of wheat. The initial payment was reduced to 70 cents where it stayed for three years. The open market price in 1939-40 was 62 cents on the average and the government agreed to take delivery of all 1939 wheat and to hold it as a war reserve. In general, Pool demands were adopted only to a limited extent and in this year and for several years to

come, the value of Canada's wheat to the war and to the peace, and the cost of its production, were not recognized in the government's price policy.

1940-41.—The war created new conditions and aggravated the agricultural problem. The Pool threw its full support behind the all-important task of winning the war, but at the same time continued to watch the farmers' interests and to assist in the formulation of policies best suited to the needs of agriculture. In this connection the Wheat Pool actively co-operated with the Canadian Federation of Agriculture in outlining agricultural policies to the Federal Government. The Saskatchewan Wheat Pool was instrumental in outlining a six-point program which was adopted by the Saskatchewan Legislature at the 1941 session, and assisted the Provincial Government in making representations to Ottawa in an attempt to have this program adopted. This policy called for an 85 cent minimum wheat price, plus the distribution of the revenue of a 50 cent per bushel processing tax, and asked for delivery quotas, government advances for building farm storage and government advances against undelivered grain on the farm.

The Federal Government did not see fit to adopt this program. Instead it restricted deliveries, retained the 70 cent price, and then provided for summerfallow and coarse grains bonuses through its Wheat Acreage Reduction Plan, to supplement the farm income. It was announced by the Federal Government at the time this policy was enunciated that it was a short-term agricultural policy to apply to the 1941 crop year only.

1941-42.—Pool farmers throughout Saskatchewan had waged a strenuous campaign in favour of the six-point program, but the government definitely rejected it. For the time being farmers accepted the verdict. The initial payment remained at 70 cents.

Then, as the summer wore on, and crop conditions became serious in many parts of the province, followed by long seiges of wet weather in the harvest period, crop prospects deteriorated rapidly. Government policy which had been worked on a formula intended to provide a certain standard of income for western agriculture, broke down.

Then came the series of mass meetings throughout Saskatchewan organized by the Saskatchewan Wheat Pool. Farmers by the thousands flocked to these meetings, leaving their threshing machines standing idle in many instances, in order to raise their voices in the interests of a better deal for agriculture.

As a direct result of the attention that was focussed upon conditions in Western Canada by these meetings, the Federal Government provided for a supplementary bonus of 75 cents an acre payable to all farmers, which later became known as the Prairie Farm Income bonus. This bonus was paid on the same basis as the P. F. A. A. bonuses—on one-half the cultivated acreage—with a maximum to any farmer of \$150.00.

Out of the meetings had arisen the demand for the circulation of a petition and a mass delegation to Ottawa. At the annual meeting of delegates of the Saskatchewan Wheat Pool held in November of 1941, delegates enthusiastically approved a resolution to circulate a petition and to make plans for sending a delegation of 400 or more farmers and business men to Ottawa to press for a better deal for agriculture.

Canvassers took to the roads on horseback, in cars, in sleighs and on foot. Heavy snows blanketed the country in many sections, and the thermometer was registering

extreme temperatures. Nevertheless more than 185,000 signatures were obtained, and more than \$40,000 was subscribed in nickels, dimes and quarters to pay the expenses of the delegation. On January 30th, 1942, the delegation left Saskatchewan by two special trains, one from Saskatoon, the other from Regina, to place the case of western farmers before the Cabinet.

Recognition of the principle of parity prices for farm commodities with no price ceilings below the parity level was the important point stressed by the delegation.

An initial price of \$1 per bushel basis No. 1 Northern at the Lake Head and the establishment of an equitable system of crop insurance through the retention and extension of the Prairie Farm Assistance Act were urged.

The requests contained in the petition which was submitted to the Federal Cabinet at the Chateau Laurier in Ottawa on February 2 were set out in seven points as follows:

THE SEVEN POINTS

- 1.—That the government recognize and accept the principle of parity prices for all agricultural products.
- 2.—That no price ceiling should be established on agricultural commodities below parity levels which may be established by the Dominion Bureau of Statistics.
- 3.—That equitable delivery quotas on wheat should be established and continued as long as required.
- 4.—That the initial payment on all wheat delivered to the Wheat Board should be not less than \$1.00 per bushel, basis 1 Northern in store Fort William, and that the final settlement should be made on the basis of parity prices above referred to.
- 5.—That the carryover of wheat as at 31st July, 1941, should be regarded as a national emergency war reserve, and that all sales made by the Wheat Board after 31st July, 1941, should be credited to the current season's deliveries.
- 6.—That suitable amendments should be introduced to The Prairie Farm Assistance Act so that an adequate and practical crop insurance scheme may be established irrespective of market prices prevailing or the number of townships suffering crop failure.
- 7.—That the future of our agricultural industry depends largely on our ability (a) to conserve the fertility of our soil; (b) to establish production and marketing methods which, while maintaining continuity of supplies, will also prevent avoidable surpluses.

And since these objectives may involve an increasing degree of control and regulation, including international agreement, such changes should be made in our agricultural policy as may be necessary to achieve these objectives.

The delegation received a good hearing, and consideration of the requests was promised. Cabinet ministers described the presentation as "fair and reasonable."

The whole wheat question became a major national issue, and out of it came a 90 cent initial wheat price, NO PRICE CEILING ON WHEAT, a minimum price on oats and barley, and a fixed price of \$2.25 per bushel on flax. Amendments to the Prairie Farm Assistance Act were brought in making some improvement in the application of the Act to western farm conditions. The Wheat Acreage Reduction payments were retained with modification.

The delegation did not get everything it asked. There was disappointment, but nevertheless the concessions gained constituted a triumph for organized agriculture. Organized Saskatchewan farmers, aided by organized farmers in Alberta and Manitoba, had demonstrated the value of united action.

1942-43.—During the year the Saskatchewan Wheat Pool continued to press for a better deal for western agriculture. This was done by direct approach to the Federal Government, and through the Pools' association with the Canadian Federation of Agriculture.

Direct representation was made by the President and Secretary of the Saskatchewan Wheat Pool before the Agricultural Committee of the House of Commons for changes in the Prairie Farm Assistance Act in line with recommendations made by the Ottawa delegation in February of 1942, and for changes in the Wheat Board Act to bring it more in line with the policy outlined by the delegates.

In February of 1943 a submission was presented to the Federal Cabinet by the Canadian Federation of Agriculture reaffirming the recommendations of the previous year, that the initial price to be paid for wheat by the Canadian Wheat Board should be not less than \$1.00 per bushel, basis No. 1 Northern at the Lakehead or Vancouver. The submission recommended that all wheat sold for domestic consumption should realize not less than \$1.35 per bushel; that no reduction should be made in the total deliverable quantity of wheat below 280 million bushels; that farmers should be allowed to deliver grain of 1942 production on whatever quotas were applied during the 1942-43 crop year; and that no reduction which farmers made in wheat acreage in 1943 should operate to reduce delivery quotas to which they might otherwise be entitled.

In this submission the Federation also:

Re-affirmed its position which calls for parity prices for farm commodities.

Urged an increase in the guaranteed flax price to \$2.50 a bushel and recommended increasing the flax acreage objective.

Asked that the government encourage as far as possible the newly developing United States market for coarse grains, as part of general negotiations with the United States aimed at integrating the agricultural policies of the two nations.

Asked that the Canadian Wheat Board handle oats and barley on the same basis as they handled wheat.

Stressed the need for a guaranteed price for livestock for the duration of the war and at least two years thereafter.

Recommended the establishment of a Board of Livestock Commissioners with producer representation.

Made, again, its request for an adequate crop insurance plan.

It should be kept in mind that all submissions of the C.F.A. are drafted in close association with the Pools, who play a major part in formulating agricultural policy for western Canada.

When it became apparent that the 1942 production would reach an all-time high, the Pool immediately turned its attention to the problem of storage. It undertook to reduce its handling charges on street wheat to a flat 3c per bushel, compared to the 4c for top and 5c for lower grades, then in effect. It also took the lead in having storage charges reduced from 1/45 to 1/50 cents per day. Handling spreads on oats and barley were also reduced. **These**

measures were in line with Pool policy of keeping down charges so that Pool and non-Pool farmers alike benefit.

In the interests of facilitating the handling of grain with storage facilities which were sure to be overcrowded, the three Wheat Pool Boards recommended to the Wheat Committee of the cabinet that advances on farm stored grain be paid to farmers, to ease the heavy deliveries during the first part of the crop year. This proposal was rejected on the ground that with the storage being paid deliveries would be unduly increased during the latter part of the crop year.

1943-44.—August 1 marked the beginning of a crop year that found Canada with an all-time peak wheat carryover of roughly 600 million bushels. World carryover was also at a record level of 2 billion bushels. Nevertheless, by this time it was clear that the tide was turning. The uses of wheat in North America for food, feed and alcohol were all increasing rapidly, and in spite of the lack of export markets the disappearance for 1943-44 promised to be huge. Moreover, the tide of war had turned definitely in favor of the allied nations and export requirements were ready to start their upward climb. This situation was reflected on the Winnipeg Exchange. In spite of huge supplies the realization was growing that there was all too little wheat in the world. The fact that in spite of huge crops in the United States in 1944 and 1945 our wheat carry-over has dropped alarmingly, has justified this viewpoint.

On September 28th, 1943, when the price for No. 1 Northern wheat was quoted at \$1.23 $\frac{1}{2}$ on the Winnipeg Exchange, the Dominion Government closed the exchange, assumed ownership of all wheat stocks in Canada, including those of the Wheat Board, and made the Wheat Board the sole buying and selling agency for Western Wheat at an initial price of \$1.25 basis No. 1 Northern. This price has held since that time. There is no doubt that the continued work of the Pool and other farm organizations is largely responsible for the course the government took in this action. A compulsory Wheat Board, the suspension of futures trading, and the establishment of a guaranteed price of reasonable proportions and in line with the prices of other things had been asked by the Pools consistently throughout the war years, and before.

The delivery of the 1943 crop and the scarcity of storage space and boxcar accommodation continued, and the basis of car allotment became a major issue. The policy of the Wheat Board at the beginning of the crop year was to allot cars at points on the basis of the permanent storage capacity of the elevators at each point. Since Pool elevators, under free delivery conditions, normally handled more grain than other elevators, this allotment policy discriminated against the Pool farmer who wanted to deliver grain to his elevator but couldn't, because the only space available was at non-Pool elevators. Strong representations were made by the Pools to have the system changed and in October of 1943-44 the Wheat Board agreed to allot cars on the basis of deliveries during the years 1938-39 and 1939-40. This was agreeable to the Pools, and the policy was put into effect, but not until the next February, due to the Wheat Board refusing to change its established policy until the second half of the crop year, and due also to emergency shipping conditions which resulted in car-allotment being put temporarily in abeyance.

By the spring of 1944 the increased movement of grain had eased the country storage situation to the point where space began to open up in Pool elevators for the first time in months. As soon as this happened, the Pool's percentage of total deliveries immediately rose, justifying the Pool's position regarding car-allotment.

During the year, also, the proposal for the amalgamation of the Saskatchewan Livestock Pool and the Wheat Pool was endorsed by delegates of both bodies. The Saskatchewan Livestock Pool was to be operated as a subsidiary of the parent body in the same way as Pool Elevators Limited is operated.

1944-45.—During this year the outstanding feature of the supply situation was the continued heavy disappearance of wheat, and the record size of the 1944 wheat harvest in the United States. In the winter of 1944-45 the Australian crop turned out to be almost a total failure and the Canadian crop was only average, but the production of the four chief wheat exporters showed a considerable increase. The end of the war in Europe brought new demands upon the world's wheat supplies. Wheat policy during the crop year remained much the same as it was, and quota restrictions on deliveries began to be lifted early in the crop year, to be abolished before the year came to a close.

It was decided at the annual meeting of delegates in November, 1944, to institute a program of industrial development, this program to include the erection and operation of a flax-crushing plant, a flour mill, and a feed manufacturing plant. The program can only go ahead as fast as building restrictions permit, but the construction of the vegetable oil producing plant at Saskatoon (where the whole development will be built) is now well advanced. The object of the industrialization program is twofold—to extend the co-operative ownership of the means of production to the further benefit of the producer, and to provide an alternative demand for Saskatchewan's farm products, in order to help stabilize the market. The Pool also believes that it is desirable both socially and economically that there should be more industrial undertakings in the Province, and especially so if these are owned co-operatively.

During the first five months of 1945 the Royal Commission on Co-operatives held hearings throughout Canada. The Commission was concerned with investigating the question of the application of income taxes to co-operatives. Co-operatives all over the country forcefully presented to the Commission the co-operative stand that by the nature of their form of organization co-operatives make no profits, and are therefore not taxable. The Wheat Pool took an active interest in the work of the commission, closely following the progress of the hearings, and it presented a brief to the Commission on behalf of its members. The brief described the Wheat Pool set-up, showing the co-operative nature of its operations, and explaining the significance of the co-operative method.

1945-46.—The 1945 wheat crop in Canada was disappointing, but the United States came through with another record-breaking crop, and fair crops were harvested in both Australia and Argentina. Nevertheless, the demand for wheat is insatiable, and as far as Canada is concerned our wheat carryover will be reduced to rock-bottom levels in an attempt to ward off starvation in Europe, the Far East and elsewhere.

The 1945-46 wheat policy marked a new and promising departure. While maintaining the initial price of \$1.25, a price of \$1 a bushel has been guaranteed for the next five

years. The Wheat Pool looks upon this as a definite step forward, but does not lose sight of the fact in its representations that \$1 is too low a price with prices of other things at their present levels, and that the price of \$1.25 should remain as a minimum until prices of the things the farmer buys show a decline. No assurance has been given that the compulsory wheat board will be continued beyond this year.

The government has also voluntarily limited the price at which it will sell wheat to \$1.55, although it is freely admitted that a higher price could be obtained under present conditions of demand. The Wheat Pool also accepted this as an application of its own principle that consumers as well as producers are entitled to protection from distorted prices. Wheat is still being sold to domestic users at 77 3/8 cents per bushel, with the farmer receiving \$1.25 on this wheat. The Canadian consumer is getting wheat, therefore, at well under, not only the market price, but the cost of production. Part of the subsidy which he thus receives is contributed by the wheat producer.

Recent increases in gasoline and farm machinery prices, to mention two major items, have changed existing price relationships. The farmers' cost of production has been substantially increased, and in view of this the Wheat Pool has called for an upward adjustment in the prices of agricultural products, including wheat.

During the latter part of 1945 the Royal Commission on Co-operatives presented its report, and since that time there has been considerable controversy and renewed attacks upon co-operatives. The Wheat Pool has continued, and is continuing, its efforts to bring clearly to the attention of the public and the government the true nature of co-operatively owned business enterprise. In particular, it joined with the Co-operative Union of Canada, in the early part of 1946, in presenting a brief to the Cabinet outlining the views of Canadian co-operatives upon the tax question.

THE INTERNATIONAL WHEAT AGREEMENT

The question of marketing our wheat through an international wheat agreement should be given brief consideration here, since it is a question of the utmost importance. Their experience has convinced Wheat Pool members that stability of price for producers and of supply for consumers can only, in the case of major agricultural products entering into international trade, of which wheat is an outstanding example, be achieved through international agreements in which producer and consumer nations both participate. Through such agreements a balanced world agriculture could be built up, production could be better related to the farming conditions in different countries and to demand, supply could be stabilized and price also could be given stability and kept at levels which would give the farmer a fair return for his labour and expense.

Without going into the history of an earlier attempt at international agreement in 1933, which ended in failure, it is enough to mention that in 1942 the governments of Great Britain, Canada, United States, Australia and Argentina met and drew up a draft international wheat agreement, which was to be presented to these and other interested nations at a future conference to be called by the United States. The agreement provides for international agreement on price, marketing quotas, import quotas, and a gearing of production in all the countries concerned to fit a unified policy which would provide security of supplies and stability of marketing and price.

No action has as yet been taken in connection with this draft agreement, but the Wheat Pool will continue to do everything in its power to promote the adoption of such an agreement by the wheat exporting and importing countries of the world.

SASKATCHEWAN CO-OPERATIVE LIVESTOCK PRODUCERS LIMITED

July 31, 1945, marked the end of the first 14 months during which Saskatchewan Co-operative Livestock Producers Limited had operated as a subsidiary of the Wheat Pool. For that period a net operating surplus of \$33,628.12 was shown, of which \$9,382.79 represents the surplus from the operation of the Transit Compensation Fund, which will be transferred to the fund's reserve. The balance goes to undivided surplus account. This first period of operation of the Livestock Co-operative under Wheat Pool ownership was one of many difficulties. Many of these have now been overcome and plans are being carried on which it is believed will result in a much greater degree of co-operative control of livestock marketing than exists at present. In this connection it is interesting to note that the Carrot River Valley and the Humboldt-Canora Co-operative Marketing Associations have become part of the provincial Livestock Co-operative, which puts the co-operative marketing of livestock in Saskatchewan under a single organization.

The Wheat Pool is undertaking the formulation and promotion of policy with regard to livestock aimed at improving the conditions under which livestock growers operate. At the annual meeting of Wheat Pool delegates held in November, 1945, it was recommended that a Board of Livestock Commissioners be set up with adequate power to protect the interests of the livestock producer in the handling and marketing of livestock. Recommendations were also passed asking for a long term policy to encourage livestock production in those areas suited to the industry. Especially, it was asked that floor prices be established covering a period of not less than five years.

These recommendations are in line with Wheat Pool policy with respect to wheat and other grains. All aim at bringing order and stability into the production of farm products, so that markets may be adequately supplied, and at the same time the farmer may be assured of reasonable returns for his labours.

Such a long term policy is badly needed. In the field of hog production, for instance, drastic declines in hog population and marketing in Western Canada have resulted from the uncertainty involved in the business of hog raising and from unfavourable relationships between livestock and feed prices. The result is that the British market for Canadian bacon, which requires regular supplies of high quality, is endangered.

In the field of shorter-term policy, the recommendation was made that an additional bonus on Grades A and B1 hogs of \$3 per hog be set upon western hogs, and that if such a bonus was established, that western purchasers of feed grains should pay the full price, including equalization payments. These recommendations are aimed at bringing returns from producing hogs in Western Canada more in line with returns from that activity in the east, where farmers buy feed at the ceiling price at Fort William, without paying the equalization payment, receive free freight from the Lakehead, and sometimes receive provincial hog premiums also.

CONCLUSION

Throughout the 22 years that the Wheat Pool has been in operation, organized farmers in the province have succeeded in a large measure in solving the many problems connected with marketing.

Through the years the Pools have become the dominant factor in the grain marketing field. By uniting the forces of all co-operatives in the Province, organized farmers can direct their attention towards becoming the dominant factor in the processing of their crops. Such action by Saskatchewan farmers must be directed towards obtaining reasonable prices for the goods which are produced. This means that a step in the direction of parity prices for all farm production for the post-war period will have been taken. By united effort Saskatchewan farmers have already accomplished a great deal. There is still much to be done and in this task organized agriculture will need the full support of every farmer.



WITH the end of the war, the world is faced again with the immediate necessity of trying to so order its economic and social affairs that the years ahead will be ones of true peace and well-being for mankind. The last attempt was not very successful, and the widespread famine of today is not a good foundation on which to build for the future.

The world does seem closer, however, to recognizing the necessity of true co-operation among its different parts and peoples. To make this co-operation a reality is the job of each person. Saskatchewan farmers can do their part, and one of the best ways is through support of their own co-operative organizations.

SASKATCHEWAN POOL ELEVATORS LIMITED

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REGINA